

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,

-v.-

RAYMOND CHU,

Defendant.

08 CRIM 45
INFORMATION
08 Cr. 45

COUNT ONE
(Tax Evasion)

The United States Attorney charges:

BACKGROUND

1. At all times relevant to this Information, RAYMOND CHU, the defendant, resided in the State of New York.

2. At all times relevant to this Information, RAYMOND CHU, the defendant, owned, operated, and controlled Divine Couture Corp. ("Divine Couture"), a company located in Manhattan. Divine Couture engaged in the business of performing sewing work for couture companies located in Manhattan, among other places.

3. Pursuant to the Internal Revenue Code and associated statutes and regulations, including the Federal Insurance Contributions Act ("FICA"), employers are required to withhold certain amounts from the paychecks of their employees and then remit these amounts over to the Internal Revenue Service ("IRS") on a quarterly basis. In addition to the amounts that employers must withhold from the paychecks of their employees for FICA, employers are also required to make contributions under

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FICA in an amount equal to the amounts withheld from their employees. FICA contributions ("FICA taxes") are made up, therefore, of four components: the employer's and employee's equal shares of 6.2% for Social Security and 1.45% for Medicare taxes, totaling 15.3% of an employee's total wages.

THE TAX EVASION SCHEME

4. From in or about 2002 through in or about late 2005, in order to generate cash, RAYMOND CHU, the defendant, received checks from customers of Divine Couture and, rather than depositing all of these checks in a business bank account of Divine Couture or in personal bank accounts controlled by CHU, CHU cashed most of these checks at check-cashing establishments located in New York, New York.

5. RAYMOND CHU, the defendant, requested that some of the customers of Divine Couture issue checks to Divine Couture in amounts less than \$10,000, a request with which some of the customers of Divine Couture complied.

6. RAYMOND CHU, the defendant, thereafter used the cash generated from the aforementioned check-cashing activities to: (i) pay himself wages in the form of cash, which wages were not reported to the IRS; and (ii) pay employees of Divine Couture in the form of cash, without having withheld incomes taxes amounts under FICA and without having accounted for and paid over to the IRS the required payroll taxes on the cash wages.

STATUTORY ALLEGATIONS

7. From on or about January 1 of each of the calendar years 2002 through 2005, through in or about late 2005, in the Southern District of New York and elsewhere, RAYMOND CHU, the defendant, unlawfully, wilfully, and knowingly attempted to evade and defeat a substantial part of the income tax due and owing by him to the United States of America, and of the FICA taxes due and owing by Divine Couture to the United States of America for each of the calendar years 2002 through 2005 by various means, including:

a. by preparing and causing to be prepared, signing and causing to be signed, and filing and causing to be filed with the IRS, false and fraudulent U.S. Individual Income Tax Returns, Forms 1040, for himself for calendar years 2003 through and including 2004, wherein RAYMOND CHU, the defendant, stated that his taxable income was in the amounts set forth below, and that the taxes due and owing were in the amounts set forth below, whereas RAYMOND CHU, the defendant, then and there well knew and believed that the correct taxable income and tax due and owing to the United States were substantially in excess of those amounts, as set forth below:

Tax Year	Date of Return	Falsely Reported Taxable Income	Corrected Taxable Income	Falsely Reported Tax Due and Owing	Corrected Tax Due and Owing
2003	Apr. 1, 2004	\$16,596	\$116,596	\$2,136	\$25,257
2004	Apr. 11, 2005	\$22,463	\$122,587	\$445	\$23,416

b. paying employees of Divine Couture cash wages, filing with the IRS wage reporting statements (Forms W-2) for employees of Divine Couture that falsely and fraudulently failed to reflect such cash payments, filing with the IRS employer's quarterly payroll tax returns (IRS Forms 941) for tax years 2002 through and including 2005 that falsely and fraudulently failed to reflect such cash payments, and failing correctly to pay Federal Insurance Contributions Act ("FICA") taxes in relation to such employees, whereas RAYMOND CHU then and there well knew that he was required to accurately report such cash wages and pay such taxes, in the approximate amounts set forth below:

Four Quarters of Tax Year	Total Cash Paid To Employees	Total Unpaid FICA Taxes
2002	\$195,998.00	\$14,992.69
2003	\$1,086,493.00	\$83,115.45
2004	\$1,301,277.20	\$91,896.44
2005	\$303,829.00	\$23,242.91

(Title 26, United States Code, Section 7201.)

COUNT TWO

(Wilful Failure to Account For and Pay Over Payroll Taxes)

The United States Attorney further charges:


8. The factual allegations of paragraphs 1 through and including 5 are restated as if fully alleged herein.

9. From in or about mid-2002 through in or about late 2005, in the Southern District of New York and elsewhere, RAYMOND CHU, the defendant, being the owner of Divine Couture, and thereby being required to collect, account for, and pay over to the IRS FICA taxes, unlawfully, wilfully, and knowingly failed to collect such taxes from wages paid to the employees of Divine Couture, account for said FICA taxes, and pay over said FICA taxes to the Internal Revenue Service, in the approximate amounts set forth below:

Quarter Ending	Unpaid FICA Taxes
06/30/02	\$757.14
09/30/02	\$6,351.37
12/31/02	\$7,884.19
03/31/03	\$20,261.80
06/30/03	\$20,008.98
09/30/03	\$15,498.98
12/31/03	\$27,345.69
03/31/04	\$25,043.82
06/30/04	\$19,987.12
09/30/04	\$25,161.24
12/31/04	\$29,354.27

Quarter Ending	Unpaid FICA Taxes
03/31/05	\$17,232.70
06/30/05	\$3,548.47
09/30/05	\$2,461.75

(Title 26, United States Code, Section 7202.)


MICHAEL J. GARCIA
United States Attorney

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RAYMOND CHU,

Defendant.

INFORMATION

08 Cr. _____ (HB)

(Title 26, United States Code,
Sections 7201 and 7202.)

MICHAEL J. GARCIA
United States Attorney.

1/17/08-

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Waiver of Indictment and Information filed.
Deft present with atty Daniel Olerio
DUSA Dan Terry present. Ct byt. present.
Deflt pleads guilty as charged on information.
Court accepts plea of guilty. Plea Agreement worked on
Ct lth A PSI ordered sentence set for 4-17-08
at 11³⁴ AM.